

## Press Release

### Golden Food Products

03 May, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 12.00 Crore
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.12.00 crore bank facilities of Golden Food Products (GFP). The outlook is '**Stable**'.

Established in 1998, Golden Food Products is a Punjab based partnership firm engaged in processing of rice, paddy, rice bran among other products. The firm is led by Mr. Baldev Krishan and Mr. Megh Raj. The manufacturing facility is located in Nabha (Punjab) with operating capacity of 3 tons per hour.

### Key rating drivers

#### Strengths

##### Experienced management

GFP was incorporated in 1998, thus, has a track record of over two decades. The Partners, Mr. Baldev Krishan and Mr. Megh Raj have experience of over three decades in the agro processing industry.

#### Weaknesses

##### Modest scale of operations and profitability

GFP has modest scale of operations marked by operating income of Rs.26.02 crore in FY2017 as against Rs.13.16 crore in the previous year. The firm has reported revenues of Rs.28.10 crore in FY2018 (Provisional). The operating margins declined to 4.66 percent in FY2017 as against 12.52 percent in FY2016. Further, the Profit After Tax (PAT) margins stood at 0.27 percent in FY2017 as against 0.46 percent in FY2016.

##### Weak financial risk profile

GFP has moderate financial risk profile marked by net worth of Rs.1.66 crore as on 31 March 2017 as against Rs.1.37 crore as on 31 March 2016. The firm has high gearing of 4.59 times as on 31 March 2017 as against 12.35 times as on 31 March 2016. The total debt of Rs.7.64 crore as on 31 March 2017 comprises of Rs.0.22 crore of term loan, Rs.2.15 crore of unsecured loans from partners and Rs.5.27 crore of working capital facility. The firm has moderate interest coverage ratio (ICR) of 1.18 times in FY2017 as against 1.13 times in FY2016.

##### Working capital intensive operations

GFP operations have remained working capital intensive, albeit improvement in Gross Current Assets to 148 days in FY2017 as against 602 days in FY2016 was observed. This is mainly due to reduced inventory requirement to 126 days in FY2017 from 626 days in FY2016. GFP has debtors outstanding of 17 days in FY2017 as against 35 days in FY2016. SMERA believes that efficient working capital management will remain critical to maintain a stable credit profile.

##### Exposure to agro climatic risks and competitive industry

Since the firm is engaged in the processing of agro based products, business risk profile is exposed to agro climatic risks. The agro processing industry is highly competitive and fragmented with several organised and unorganised players. The intense competition and low value addition in the agro processing industry

puts pressure on the operating margins.

### Analytical Approach

SMERA has considered the standalone business and financial risk profiles of GFP to arrive at the rating.

### Outlook- Stable

SMERA believes that GFP will maintain a 'Stable' outlook in the medium term on the back of established operations and long standing experience of the partners. The outlook may be revised to 'Positive' in case the firm registers higher than expected growth in scale of operations along with improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile or further elongation in working capital cycle.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	26.02	13.16	13.52
EBITDA	Rs. Cr.	1.21	1.65	1.27
PAT	Rs. Cr.	0.07	0.06	0.06
EBITDA Margin	(%)	4.66	12.52	9.42
PAT Margin	(%)	0.27	0.46	0.44
ROCE	(%)	7.95	8.47	12.44
Total Debt/Tangible Net Worth	Times	4.59	12.36	13.24
PBDIT/Interest	Times	1.18	1.13	1.20
Total Debt/PBDIT	Times	6.30	10.13	13.12
Gross Current Assets (Days)	Days	148	602	659

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading entities-<https://www.smera.in/criteria-trading.htm>
- Manufacturing Entities -<https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments -<https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.03	SMERA B+/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.40	SMERA B+/ Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.57	SMERA B+/ Stable

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